

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1098-08
Bill No.: SCS for HS for HCS for HB 327
Subject: Department of Natural Resources; Petroleum Storage Tank Insurance Fund
Type: Original
Date: May 7, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Petroleum Storage Tank Insurance Fund	\$1,825,980	\$5,278,980	\$2,372,904
Road Fund	\$0	\$0	\$95,000
Total Estimated Net Effect on <u>All</u> State Funds	\$1,825,980	\$5,278,980	\$2,467,904

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Departments of Agriculture and Economic Development** and the **Office of the State Courts Administrator** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Office of Administration - Division of Budget and Planning** assume the proposed legislation would have no fiscal impact on their agency. Officials noted that there would be impact on total state revenue.

Officials from the **Department of Revenue** noted that the Division of Taxation would notify 800 licensees of the increase in the fee and change the reporting forms to reflect the increase. However, officials assume the DOR would use existing resources in making these changes and notifications.

Officials of the **Department of Transportation (DHT)** noted that the department has performed insurance-funded cleanups with an average reimbursement cost of \$95,000. With the extension of the potential reimbursements until 2010, DHT officials assume the department would experience an average of two cleanups per year with an average reimbursement of \$95,000, for a total annual reimbursement to the Road Fund of \$190,000. DHT notes that the legislation is already in effect for 2002 and 2003; therefore, the fiscal impact of this proposal is zero for those years. **Oversight** has reflected six (6) months of cost savings to the Road Fund or \$95,000.

Officials from the **Department of Natural Resources (DNR)** note that the annual work plan between the Petroleum Storage Tank Insurance Fund (PSTIF) board and the department documents tank activities to be funded by PSTIF. DNR assumes that the new language added in Section 319.132.3(4) would allow the PSTIF board to continue funding the department for all activities and work plan items that are currently being funded by the PSTIF board under the DNR Tanks/PSTIF work plan.

The PSTIF Board estimates revenues to remain relatively constant in FY 2005 - FY 2010 at approximately the same levels as FY 2004. In FY 2011, revenues would be half or less, compared to prior years. Revenues would be zero in FY 2012 and beyond.

Expenditures from the PSTIF are estimated to be approximately \$20-\$30 million in FY 2005 through 2010, decreasing to \$10-20 million in FY 2011 - FY 2012 and less than \$10 million annually thereafter until the balance in the fund has been expended in approximately FY 2014.

A number of cash flow projections were provided to the PSTIF Board of Trustees by its
ASSUMPTION (continued)

third-party administrator. The estimates contained herein are derived from those studies. Assumptions used include the following:

- * Approximate constant volume of petroleum coming into Missouri annually
- * Approximate increases of 1% per year in participation by underground tank owners in the PSTIF insurance program through FY 2005, with constant participation thereafter.
- * Approximate increases of 7% per year in participation by aboveground tank owners in the PSTIF insurance program, through FY 2005 with constant participation thereafter
- * Approximate increases of 3% annually in state agency and administrative expenses
- * Additional claims for the cleanup of 2,800 old tank sites are received
- * 1% of insured underground storage tank sites and 2.5% of insured aboveground storage tank sites file a claim annually
- * Claims currently delayed due to funding shortfalls are allowed to begin cleanups during FY 2002
- * Twenty-five additional large loss claims (exceeding \$250,000) are filed during the life of the program
- * Environmental cleanup requirements are not substantially changed during the life of the program

Oversight assumes, based on previous two-year average of receipts, that ongoing program revenue for half of FY 2004 will be approximately \$9.3 million.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
PETROLEUM STORAGE TANK INSURANCE FUND (PSTIF)			
<u>Revenue - PSTIF</u>			
Increase of Transport Load Fee	\$2,850,000	\$8,553,000	\$14,250,000
Continuance of fee collection due to extension of sunset date (6 mos. in FY 2004)	<u>\$0</u>	<u>\$0</u>	<u>\$9,225,589</u>
Estimated <u>Revenue</u> to PSTIF	<u>\$2,850,000</u>	<u>\$8,553,000</u>	<u>\$23,475,589</u>
<u>Cost - PSTIF</u>			
Other Costs (Administrative)			
Due to increase in fee	(\$124,020)	(\$241,020)	(\$404,820)
Due to continuation of fund (6 mos. in FY 2004)	\$0	\$0	(\$2,901,654)

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
Other Costs (Program Distribution)			
Due to increase in fee and extension of participation in fund	(\$900,000)	(\$3,033,000)	(\$9,508,000)
Due to continuation of fund (6 mos. in FY 2004)	<u>\$0</u>	<u>\$0</u>	<u>(\$8,288,211)</u>
Estimated <u>Cost</u> to PS TIF	<u>(\$1,024,020)</u>	<u>(\$3,274,020)</u>	<u>(\$21,102,685)</u>
ESTIMATED NET EFFECT ON PETROLEUM STORAGE TANK INSURANCE FUND	<u>\$1,825,980</u>	<u>\$5,278,980</u>	<u>\$2,372,904</u>

ROAD FUND

<u>Savings</u> - Department of Transportation			
Continued reimbursement for cleanups (6 mos. in FY 2004)	<u>\$0</u>	<u>\$0</u>	<u>\$95,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could be affected by the provisions of this proposal.

DESCRIPTION

The Petroleum Storage Tank Insurance Fund expires on December 31, 2003. This proposal extends the fund to December 31, 2010. Thereafter, the fund's board of trustees may function only to complete payment of claims made prior to the expiration date. Subject to regulations of the board trustees, owners and operators may continue participating in the fund after transferring their property to another party. The proposal excludes standards and regulations pertaining to DESCRIPTION (continued)

spill prevention control and countermeasure plans when certifying that petroleum tanks meet or exceed and are in compliance and technical standards established by the United States

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Environmental Protection Agency.

Current law states that an owner or operator making a claim shall be liable for the first \$10,000 of the cleanup cost with a release from a petroleum storage tank without reimbursement from the fund. The proposal changes the language from an "owner or operator" to "any person."

Current law allows the board to set, by rule, the surcharge paid into the fund for each petroleum transport load. The proposal allows the board to adjust the surcharge, up to a maximum of \$60, after 60 days notice, for public comment; however, the board shall not increase the surcharge more than \$10 in any year. The maximum surcharge is increased from \$25 to \$60 per load. If the fund's balance exceeds its liabilities by 10% on the first day of any month, the surcharge reverts to \$25 per load on the first day of the second month following this event.

Moneys generated by this surcharge shall not be used for any purposes other than those outlined in sections 319.129 through 319.133 and section 319.138. Nothing in this subdivision shall limit the board's authority to contract with the Department of Natural Resources pursuant to section 319.129 to carry out the purposes of the fund as determined by the board.

The board, in consultation with the Department of Natural Resources, may prioritize claims and expenditures from the fund. In prioritizing claims, the board shall consider evidence provided by the department that a contaminated site poses a significant threat to human health or the environment and whether the claimant has demonstrated a willingness to expeditiously complete the cleanup.

This proposal allows individuals who may have made an erroneous surcharge payment to the Petroleum Storage Tank Insurance Fund to file a refund claim with the fund's board of trustees. Claims must be filed within three years of making the payment. Individuals aggrieved by the board's decision may seek judicial review through the circuit court of Cole County no later than 60 days after the decision.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Natural Resources
Department of Revenue

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Department of Transportation
Department of Economic Development
Office of Administration - Division of Budget and Planning
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A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive script.

Jeanne Jarrett, CPA
Director

May 7, 2001